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FISCAL IMPACT STATEMENT

LS 6817

BILL NUMBER: SB 394

NOTE PREPARED: Dec 30, 2008

BILL AMENDED:

SUBJECT: Sales Tax Holiday.

FIRST AUTHOR: Sen. Simpson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a Sales and Use Tax exemption for certain items purchased at retail during the first weekend of January or the last weekend in August.

Effective Date: April 1, 2009 (retroactive).

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, procedures, and rules, as well as update computer software. The DOR's existing level of resources should be sufficient.

Explanation of State Revenues: The Sales Tax exemption provided in this bill will decrease state Sales Tax collections by an estimated \$24.2 M in FY 2010 and \$25.4 M in FY 2011. The bill provides a Sales Tax exemption for certain clothing, computers, school art supplies, and school supplies that are purchased during the three-day periods designated in the bill. The bill also provides price limitations on the exempt items as follows.

Item	Exempt if Price not Exceeding
Clothing	\$100
Computer	\$1,500
School Supply	\$100
School Art Supply	\$100
School Computer Supply	\$100

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%). The table below shows the impact on the various funds included in the Sales Tax distribution.

IMPACT ON FUNDS (in millions)		
Fund	FY 2010	FY 2011
State General Fund	(\$24.040)	(\$25.216)
Public Mass Transportation Fund	(\$0.162)	(\$0.170)
Industrial Rail Service Fund	(\$0.007)	(\$0.007)
Commuter Rail Service Fund	(\$0.030)	(\$0.031)
	(\$24.240)	(\$25.425)

There could be an offsetting impact on business income tax collections if the sales occurring during the exemption period are sales that would not have otherwise occurred (e.g., if people purchase more than they would have purchased otherwise or if out-of-state residents come into the state to purchase items they otherwise would not have purchased in Indiana).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: DOR

Local Agencies Affected: All

Information Sources: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, <http://www.bls.gov/cex/>. Computer Industry Almanac, www.c-i-a.com.

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